



## Missouri Department of Elementary and Secondary Education

— Making a positive difference through education and service —

October 17, 2001

**TO:** School District Administrators

**FROM:** Gerri Ogle, Associate Commissioner, Administrative and Financial Services  
Dale Carlson, Director, School Finance  
Tom Quinn, Director, School Governance

**RE:** October Financial Information

### Enclosure

October payment page

## *SCHOOL FINANCE*

### **July Through October Foundation Payment Calculations**

No Basic Formula calculation sheet will be prepared or sent to the district until November when the 2001-02 formula calculation is done with updated data. During the months of July through October, the Foundation payments are based on the final apportionments for 2000-01 as shown on the June 2001 calculation sheet.

### **Gifted Payment**

The Gifted payment for October is a "live" payment. The projected rate of reimbursement is 73%. Payments are based on data from the approved automated application for each district. If an application is amended during the October/November amendment window, the new amounts will be reflected in subsequent payments. Districts that were overpaid in the previous year have received notices of the amount to be refunded to the state. Refunds must be returned before a payment for the current year can be made. If you have questions about the payment, please contact the Gifted Education Section at (573) 751-2453.

### **September 2001 Textbook Payment**

The September 2001 Textbook Payment was transferred by ACH on September 28, 2001. The payment was based on the district's September 2000 FTE membership calculation. The County Foreign Insurance Tax available for distribution for the 2001-02 Textbook payment was \$71,753,266 compared to \$74,761,820 in 2000-01. The total September 2000 membership was 884,744.99 compared to the final September 1999 membership of 885,577.72. The 2001-02 amount per September 2000 FTE membership was **\$81.1005** (\$71,753,266 ÷ 884,744.99). This amount is lower than the 2001-02 projection of \$83.06 which was based on projected revenue of \$74,761,820 and projected membership of \$900,000.

Positive or negative adjustments to the 2001-02 payment were caused by changes made to the September 1999 membership after the 2000-01 payment. Detail on the 2001-02 payment is available at the School Finance WEB page:

<http://services.dese.state.mo.us/divadm/finance/index.html> by clicking on "Monthly Financial Reports" and accessing the report called "Textbook Payment". Since the Textbook Payment is only made once a year (September 30), all changes made after September 16, 2001, to the September 2000 membership which affect the Textbook Payment will be used to calculate a correction to the September 2002 Textbook Payment.

**2001-02 Proposition C Sales Tax Payment (1st Live Payment)**

The Proposition C Sales Tax payment for October 2001 was updated to use actual 2000-01 eligible pupil (EP) data. The October payment was adjusted (increased or decreased) so the year-to-date amount was correct based on your district's prior year (2000-01) actual EP and total Proposition C dollars through October. For current year budget purposes, a conservative projection of FY02 Proposition C revenue of \$677,700,000 divided by the estimated 2001-02 payment EP of 875,000 yields an estimated 2001-02 payment of **\$774 per EP**. Remember, this is an estimate based on available information. Be as conservative or optimistic as you choose.

**2001-02 Fair Share Payment (1st Live Payment)**

The Fair Share payment for October 2001 was updated to use actual 2000-01 average daily attendance (ADA) data. The October payment was adjusted (increased or decreased) so the year-to-date amount was correct based on your district's prior year (2000-01) actual ADA and total Fair Share dollars through October. For current year budget purposes, a conservative projection of FY02 Fair Share revenue of \$23,279,909 divided by the estimated 2001-02 payment ADA of 860,000 yields an estimated 2001-02 payment of **\$27 per ADA**. Remember, this is an estimate based on available information. Be as conservative or optimistic as you choose.

**Estimated Eligible Pupils**

Section 163.036, RSMo, authorizes districts to be paid in the Basic Formula on the greater of the current year estimated eligible pupils (EP), the first preceding year actual EP, or the second preceding year actual EP. This allows districts decreasing in enrollment to adjust to the decrease more gradually. For example, during the 2001-02 year, districts may be paid on the greater of the 1999-2000 EP, the 2000-01 EP, or the estimated 2001-02 EP. The DESE Basic Formula computer program will compare the three numbers and use the highest. No special request by the district is needed.

The district may have entered an estimated EP number for 2001-02 on the August Core Data WEB Screen 2. The Estimated Eligible Pupil field on Screen 2 should only be completed if the district expects the 2001-02 EP to be greater than the actual EP for 1999-2000 and 2000-01. If the district entered an estimated EP number on Screen 2 of the 2001-02 August Core Data that is less than or equal to the actual EP for 1999-2000 or 2000-01, the district should revise Screen 2 and delete the estimated EP amount.

**2000-01 Audit Report**

The 1999-2000 and 2000-01 audit reports are due by October 31, 2001. If the report will not be submitted by October 31, 2001, the district may make a written request to the School Finance Section for an extension. A sixty-day extension will be granted to districts requesting it. However, the law does not permit an extension beyond sixty days. If the audit report is not received by the October 31 deadline and an extension has not been requested, further state aid shall be withheld until the audit report has been received by DESE. Likewise, if an extension is granted and the audit report is not postmarked by December 31, 2001, further state aid shall be withheld until the audit report has been received by DESE. The school district is responsible for sending School Finance a copy of the audit report, accompanying management letter issued by the independent auditor, if prepared, and a copy of the board minutes indicating approval of the audit report.

Questions regarding audit reports should be directed to Denise Pierce – School Finance Consultant-Auditor at (573) 751-0357.

### **GASB Statement 34**

School business officials continue to share concerns relating to the impact the Governmental Accounting Standards Board (GASB) Statement 34 may have on cash basis districts. GASB Statement 34 is being phased in over a three-year period based on a political subdivision's total revenues for the first fiscal year ending after June 15, 1999. Therefore, total revenues for the June 30, 1999, fiscal year determine the effective date of the statement for Missouri school districts as follows:

	<u>6/30/99 Revenues of:</u>	<u>Effective fiscal year ending:</u>
Phase I	\$100 Million or more	6/30/02
Phase II	\$10 Million or more, but less than \$100 Million	6/30/03
Phase III	Less than \$10 Million	6/30/04

Two of the main impacts GASB Statement 34 will have on school districts relate to the format and content of the audited financial statements and the need for districts to develop and maintain capital asset records.

GASB Statement 34 does not require the district to maintain its records or to prepare its regulatory required financial statements [Annual Secretary of the Board Report (ASBR)] on the accrual basis of accounting. Districts may choose to remain on the cash basis; however, upon the applicable implementation date of GASB Statement 34, the audit report, financial statements, and schedules will be required to conform to the GASB 34 financial statement format and presentation. Therefore, at some point in time, additional statements may be necessary for the district to reconcile the ASBR to the audited financial statements due to the inclusion of capital assets and long-term debt or other adjustments to the financial statements.

While a change in the method of accounting is not required, Statement 34 does require the inclusion of capital assets (stated at historical costs with corresponding depreciation). Many school districts currently do not have such records. It is imperative for districts to begin compiling such data so that the information is available at the beginning of the fiscal year in which the Statement first applies to the district.

Capital assets include all land, land improvements, buildings, building improvements, vehicles, machinery, equipment, infrastructure (i.e., roads, bridges, parking lots), works of art and historical treasures. Political subdivisions in Phase III are exempt from the retroactive infrastructure reporting requirements of the Statement and a four-year grace period is allowed for the retroactive reporting of infrastructure for those in Phases I and II.

A district does not have to capitalize every asset purchased from the Capital Projects Fund for GASB Statement 34 purposes. Districts may establish different levels for tracking assets for inventory purposes than those established for Statement 34 purposes (i.e., \$1,000 may be the level for inventory purposes, internal control or insurance purposes and \$5,000 for Statement 34 reporting and depreciating purposes).

Districts should discuss capital asset related issues with their district auditor to ensure the policies and procedures used to compile the capital asset records will meet with the auditor's approval.

There are many websites and resources available for purchase on Statement 34. The district should utilize these sources, as well as the district auditor, to ensure the district can meet the Statement's requirements.

### **Inclusion of \$0.18 of Debt Service or Capital Projects Fund Levy in Basic Formula and Placement of that Revenue**

Section 163.011(14), RSMo, includes a provision that allows a district to designate up to and including eighteen cents (\$0.18) of the tax rate in the combined Debt Service and Capital Projects Funds to be included in the Operating Levy for School Purposes (Lines 1 & 2 of the Basic Formula and Line 14) if certain qualifications are met. The qualifications for including this levy in the 2000-01 Basic Formula and Line 14 calculations are that the district will **not**:

- make a GTB/Line 1 Transfer from the Incidental Fund to the Capital Projects Fund, or
- make a lease purchase principal and/or interest payment during the 2001-02 school year.

If a district believes it qualifies to have up to or including \$0.18 of its combined Debt Service and Capital Projects Fund levy included in the Basic Formula and Line 14 calculations for 2001-02, it must send a letter to the School Finance Section which includes the following statements or information:

- the district will not make a GTB/Line 1 Transfer from the Incidental Fund to the Capital Projects Fund during the 2001-02 school year;
- the district will not make a Section 177.088 lease purchase principal and/or interest payment during the 2001-02 school year;
- the exact amount being designated in the Debt Service and/or Capital Projects Fund; and,
- if designating more than \$.10 in the Debt Service and/or Capital Projects Fund, indicate the date of the tax rate ceiling increase, full waiver of Proposition C vote or issuance of general obligation bonds authorized by the voters after August 28, 1998.

Basic Formula revenue generated from the inclusion of the Debt Service and Capital Projects Fund levy in the Basic Formula and Line 14 calculations must be placed in those funds in proportion to the levy used to generate the Basic Formula and Line 14 revenues. One of two methods may be used to compute the amount of placement in the funds:

1. *Compute the percentage each fund's tax levy is to the total tax levy. Apply the percentages to the June Basic Formula and Line 14 Apportionments, respectively, and place the calculated amount in the respective fund;*  
*or*
2. *Compute the June Basic Formula and Line 14 Apportionments without the tax levy from the Debt Service or Capital Projects Funds. Compare to the June Basic Formula and Line 14 Apportionments with the tax levy from the Debt Service or Capital Projects Funds. Place the difference in the appropriate fund (Debt Service, Capital Projects, or both if some of the levy from each fund was used).*

### **Reminder: Full-time/Part-time Classification for Certain Students**

The following information serves as a reminder in determining whether certain students are considered as "full-time" or "part-time" for purposes of average daily attendance (ADA) and membership.

- a. Students who leave school and are employed for part of the school day:
  - \* A student enrolled in a vocationally approved Cooperative Occupational Education (COE) or other supervised occupational experience program where one of the course requirements is to spend a part of the school day in an employment situation is considered a full-time student if the on-campus instruction plus the employment equals or exceeds the regular school day. The student's employment is considered instructional time and is counted for attendance, not to exceed ten hours per week for one unit of credit or twenty hours per week for two units of credit. The on-campus instruction time and employment time may be based on a daily average for the week. The average daily attendance for the student cannot exceed 1.0.
  - \* A student leaving school prior to the completion of the school day for employment other than vocationally approved supervised occupational experience programs is a "part-time" student. The attendance hours on Screen 14 and the membership on Screen 16 of Core Data should reflect these students as part-time. The membership for the last Wednesday of September and January is computed by dividing the number of hours enrolled in class by the hours in the school day.
- b. Students working in a sheltered workshop for a part of the school day:
 

A student working in a sheltered workshop who has both an Individual Educational Plan (IEP) that requires the student to participate in a job activity and an agreement signed by the Division of Vocational Rehabilitation may be counted in attendance for the time spent working plus the time in the classroom, not to exceed the regular school day of the district. If these two requirements are not met, the student may only be counted for attendance and membership for the part of the day the student is receiving classroom instruction.

Districts should review the 2000-01 attendance hours and membership submitted on the 2000-01 Core Data and the September 2001 membership reported on the October Core Data for 2001-02 to determine whether revisions should be submitted.

### **Reminder: Homebound Services -Attendance Reporting**

The following information serves as a reminder in determining the attendance of students in a “homebound” instructional program. The Division of Special Education is responsible for approving reimbursements to school districts for homebound services for students. Homebound services may be provided for any student, not just special education students. School districts do not need to submit an application for homebound instruction unless the student has an IEP and the particular situation meets one of four exceptions below:

1. Students with disabilities who require homebound services for over nine (9) weeks with a diagnosed medical condition, (except in the case of a normal pregnancy which allows for six (6) weeks pre- and six (6) weeks post-partum);
2. Students requiring homebound services for the purpose of a reevaluation (a copy of the Notice of Intent/Consent to Reevaluate with parental signature must be attached).
3. Students receiving homebound services who were long-term suspended or expelled (documentation must accompany the application of the date the IEP team met and made a determination of unrelatedness, that the parents were provided with a copy of the Procedural Safeguards and a copy of the Notice of Change of Placement).
4. Students who require homebound services when a court injunction has been issued (a copy of the injunction must accompany the application).

All applications (except those listed above) will be maintained on file in the district to be reviewed by the MSIP Review team during the regular five-year review cycle.

Reimbursement to school districts for homebound instruction will be made at a specified hourly rate (currently \$8.34 per instructional hour) for up to five hours per week for up to a total of 36 weeks. Reimbursement for homebound instruction will be received after the district submits an Application for Homebound Reimbursement (MO500-065) to the Special Education Funds Management Section at the end of each school year.

### **To count a homebound student for full attendance, all the following criteria must be met:**

1. The homebound situation must meet the Division of Special Education’s requirements for homebound education.
2. Hours of instruction (attendance hours) must be part of the district’s claim for reimbursement for homebound instruction at the end of the school year.
3. Student must receive a minimum of five hours of instruction per calendar week.
4. Intermittent homebound instruction (students who because of a medical condition may, on a regular basis, be in attendance one week but not in attendance the following week) must occur during the week in which the student is not in class to be counted for ADA. Homebound instruction which is “made up” during a week in which a student is in attendance in class is eligible only to receive the appropriate homebound reimbursement.

Full attendance means the possible attendance hours for that week. For example, if a district has a 6-hour day, a regular student in full attendance would generate 30 attendance hours [6 hours per day x 5 days] for a one-week period. If the homebound student is receiving five or more hours of instruction during the week, the attendance is reported as 30 hours. If a student with an approved homebound application receives less than five hours of instruction per week due to the start or end date for services, then each reimbursed hour of instruction would represent one day of attendance for the district. Also, for a student served during a non-standard school week of the school calendar, one reimbursed hour of instruction represents one full day of attendance. (Instruction to other students for which the district is not receiving Homebound Reimbursement is counted as one hour of attendance for each hour of instruction.)

For additional information concerning homebound instruction, contact Bill Daly at 573-751-4385. Refer also to the Special Education Finance web page: <http://services.dese.state.mo.us/divspeced/homebound.html>

### ***SCHOOL GOVERNANCE***

There are no School Governance topics this month.

### ***SCHOOL TRANSPORTATION***

There are no School Transportation topics this month.